Live Session 2014-05-07

Thursday, May 15, 2014 10:28 PM

- 1 hour is the minimum time frame you should be using to spot order blocks. And then you have the 4 hour, daily, and weekly.
- In a daily bullish environment, the 1 hour chart order blocks are very sensitive price points.
- If you are forcing the idea of finding the order block, then you are doing too much and it probably isn't there. Basically, if it is not obvious then it is probably not there. In this case it would be better to look at another pair or to just wait (the best option).
- We need a price swing of at least 40 pips in order for it to qualify for an optimal trade entry trade.
- You want the second leg in the swing to be able to pay you at least 20 pips:

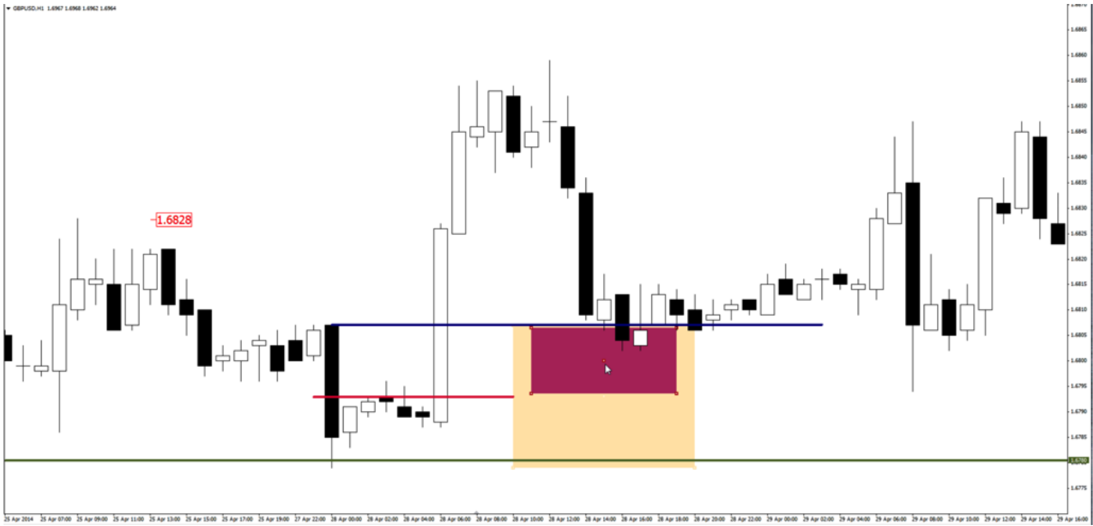


- When buying and using limit orders, we always have to add the spread to our level. On the sell side we can place our order on the exact level. When buying you want to add about 5 pips to your level.
- In the example below, we are expecting price to react bullishly at the institutional level of support that has confluence with an order block. We are also expecting it to create another order block that we can utilize in the near future:



- You do not want to see price spend much time around that level. You want to see it react and trade away from it. If it hangs around for a little bit and we don't see a pop, the chances of your trade being profitable are decreasing exponentially. In this case scenario you can:
  - Abort the trade right there, or
  - Cut the trade in half and just let it do what it's going to do
- When you are in a trade in one pair, you can just focus on other pairs. Do not let that trade get to you mentally to the point where you are checking in on it every 5 minutes.
- If you are super emotionally invested in losing 1% then this business is not for you.

- Many times when the NFP is released, the initial move is what sets up the actual trade because the market needs to scoop up liquidity to get to where it is trying to go. It usually dips right into an order block.
- The first move that comes out of NFP is probably not going to be the sustained move.
- The best way to tell if you are in a bullish market is if the bullish order blocks are being respected and none of the bearish order blocks are being respected. If you add market structure to that, then the bullish market structure can become absolutely clear. There are times when the market shifts and it becomes questionable, but that's when we trade inside the range.
- If price ever trades into the 50% level of an order block, that's about as far as you should want it to trade into the order block. If we go lower than that (bullish scenario), it is most likely not indicative of higher prices. The 50% level is the best case scenario.



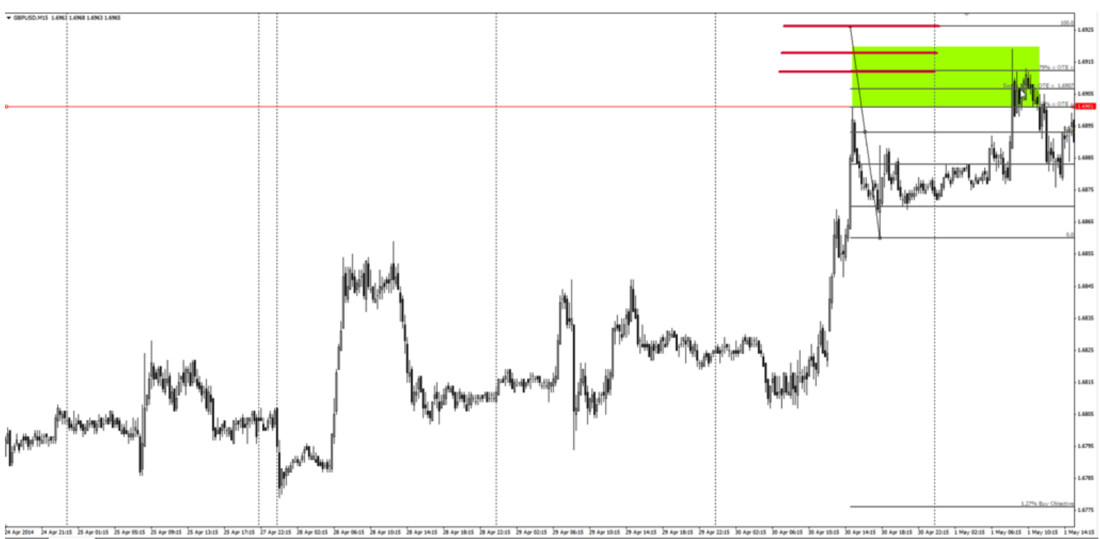
- Monitor how long price consolidates above the smart money buying zone. It is usually between 18:00 - 0:00 GMT.



- This little pocket of price that is consolidating between the 2 lines is the dealer's range:



- We don't chase that first surge up because we know that the real buying happens when price dips into the smart money order block. The sharp move down on the far right of the chart is a Judas Swing.
- They know they need to take it down in that block for the institutional buyers, but why not take out the stupid people first.
- It's very hard for most people to trust that what they have been told all along is wrong (the way they learned to trade).
- The banks that really want to get long at a certain price have to provide a scenario where there is enough liquidity at the particular level.
- Study price action after work every day. You will start to see where the stops are located in the market and be able to better predict what the smart money is going to do. When it is not so clear to you, then don't trade…
- Combine order blocks with where stops might be resting in the market. This will fuel your understanding of trading turtle soup patterns.
- Trading is all about blowing out stop loss orders and taking the guys that were right on a move out and assuming their position. That is the name of the game.
- The 40 pip swing requirement is on an hourly chart. We can take smaller OTE's on a 5 minute chart that do not fulfill this requirement.
- Unfulfilled ranges tell us that price should continue moving in the way of the price surge and that there is really no interest in pushing price the other way.
- We expect price to deviate above and below support & resistance because there is always a cluster of orders around them.
- When using the reflection pattern, you should measure entry points from the 62%, 70%, and 79% levels and see if any of them have other confluences because we never really know which one to use.



- The ORO pattern is the overlapping reflection + optimal trade entry pattern.



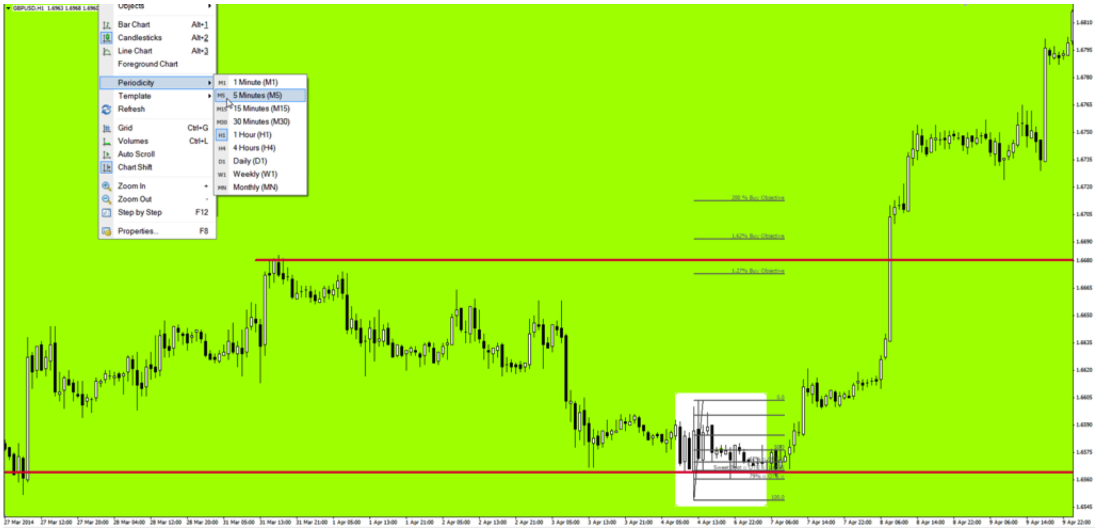
- The setup above does not look bearish because the range was well beyond fulfilled and longs were able to be accumulated. When it blows through the 79% you shouldn't be real comfortable shorting that.
- When you are entering a trade around support or resistance, you want to see it bounce before entering and look for a small order block once it has already bounced and shown resilience to not blow through the support/resistance.
- If you trade in the direction of the 4 hour order flows, you will see a lot of consistency.

1. Where are we headed on a higher time frame?

- As long as price keeps marching up towards a long term bias, you maintain your bullish directional bias.



- In the image above, inside the white area is where your scope is zoomed in.
- Below, we have found an area to focus on with a 40 pip range so we will then zoom into the 15 minute chart.



- Below on the 15 minute chart, price has formed a perfect bullish order block and market structure has broken to the upside.



- The 15 minute order block above is a nice bearish candle with a bold body and price moved away from it very quickly. It had a nice reaction. You really want to gauge when order blocks are being respected. If they are, it confirms your bias in that direction.
- Every time you see new order blocks form, keep an eye on them. If they stay in the market with out being violated, then you should be more confident in that direction.